



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

NOTES

WASHINGTON NOTES

TARIFF ACTION IN CONGRESS

INDUSTRIAL INVESTIGATIONS

AN ANALYSIS OF BANK PROFITS

A NEW DEPARTURE IN FOREIGN TRADE

THE TREASURY'S BOND ISSUE

SOUTH-AMERICAN TRADE

LABOR DEVELOPMENTS

Acting in accordance with the wishes of President Taft, the House of Representatives on April 21 passed the bill ratifying the Canadian reciprocity agreement (H.R. 4412). This was done after a week of empty debate, in the course of which numerous amendments were attempted and defeated. The vote on the bill, while showing a large Democratic majority, proved a severe disappointment to friends of reciprocity, inasmuch as the ballot showed more Republicans voting against the measure than voted for it—a condition which seems to indicate that the proposal has lost ground in the President's party since last session. House discussion of reciprocity developed nothing additional to the considerations urged last session, but was largely a repetition of the debate then had. President Taft and the supporters of reciprocity had feared that an attempt would be made to burden the agreement by adding to it various amendments enlarging the free list of the United States. These would have included, presumably, certain classes of manufactured articles. The fact that the Democratic majority in the House did not deem it wise to undertake such amendments has proved a source of satisfaction to those who have been supporting the agreement on its own merits. This action of the House has sent the bill to the Senate where for two weeks following May 8 hearings were opened both to opponents and to advocates (Senate Finance Committee hearings, May, 1911). Argument against the measure has come almost entirely from paper manufacturers and farmers' organizations of various classes. It has been contended in general that the effect of the agreement would be to subject the West and the Middle West to conditions similar to those exist-

ing in the East after the opening up of our Western and Middle Western lands. Further it has been urged that the "balance of trade" with Canada will be seriously affected, that the western farm population would largely migrate to Canada, and that, on the other hand, farmers would largely move to cities owing to the diminution of agricultural profits. No serious economic argument relating to agriculture has really been presented. Paper and lumber interests have offered much the same testimony as at the last session of Congress concerning the supposedly injurious influence upon their industries that would flow from the agreement.

Immediately following the passage of the reciprocity bill, the House took up and debated for ten days the so-called "farmers' free list" bill, presented by Mr. Underwood, the chairman of the Ways and Means Committee, on April 12, passing the measure on May 8. This bill places on the free list about a dozen classes of articles including agricultural implements, leather, sewing machines, salt, shoes, bagging, cotton ties, and a number of others. The bill confessedly contains those amendments which it was considered by the Democrats ought really to have been included in the reciprocity agreement as a concession to the farmers in return for the loss of their protection on agricultural products by reason of the present terms of the reciprocity bill. Debate on the free list measure was mainly significant in developing the political and party alignment of different groups in the two main divisions of the House. The free list bill has now been sent to the Senate Finance Committee where it is likely to be permanently hung up, that committee having meanwhile been organized in such a way as to place a clear majority of its membership in the hands of the "conservative" machine Republicans.

The Rules Committee of the House of Representatives has taken important action in making a favorable report upon a resolution authorizing investigation of the steel industry (House Resolution 148). This resolution was offered nominally for the purpose of providing information on which to base tariff revision and more rigid enforcement of the Sherman anti-trust law. It was originally directed primarily at the United States Steel Corporation but has been broadened so as to make it apply to the industry in general. The steel resolution now calls for information designed to show not only the industrial position of the business as a whole but also the extent to which combinations have been arranged, and control

effected, between various concerns which are named. Apparently, considerable stress is to be laid upon the financial side of operations in the steel market, and it would appear from the hearings before the Rules Committee which reported the resolution that it is intended also to pay special attention to the question of labor conditions and the attitude adopted by the corporation toward its employees. Another resolution directing an inquiry into the sugar industry has also been adopted. Both investigations suffer undoubtedly from the fact that the administration has already taken up the same subject. The steel industry, for instance, has been in process of thorough investigation by the Bureau of Corporations which has nearly reached the conclusion of an inquiry lasting about four years. Conditions in the sugar industry have never been studied by the Bureau of Corporations, but both the Treasury Department and the Department of Justice have devoted much attention to the American Sugar Refining Company. That concern has been under constant prosecution for some time past, both because of its action in defrauding the government of a large volume of customs duties, and because of its operations in violation of the anti-trust act. There is good reason to doubt whether anything more can be developed on these subjects, except in relatively unimportant particulars, than has already been brought out, or can be brought out by the federal administration. Nevertheless, costly and elaborate inquiries are now intended. There is no reason to think that the investigations will afford a basis for revision of the schedules of duties affecting these corporations. Such information as is called for in the resolutions is not of a type that would be of much service in changing rates of duty. It is true, however, that Democrats have been decidedly restive under the charges brought against them because of their failure to include the sugar and steel schedules in their program for immediate tariff revision. Both have evidently been omitted because of political considerations. The interests dependent upon the sugar duties are strong in the southern division of the party, and the same is true of steel and iron interests. To complete the investigations now proposed, even if rapid progress is made, will take many months, and the fact that both inquiries are pending may doubtless be used as a reason for deferring an inquiry into these tariffs until after the next presidential election. This raises a rather serious question with respect to the sincerity that is to be shown in prosecuting the inquiries.

Comptroller of the Currency Murray has made a series of (unpublished) computations, based upon the January 7 reports for the condition of national banks and the latest compiled reports of earnings and dividends, indicating the relative standing of national banks classified according to capital stock as measured by their accumulation of surplus, dividends paid, and cash reserve. The banks are divided into six classes, including (1) those with capital less than \$50,000; (2) those with \$50,000 and less than \$100,000; (3) those with \$100,000 and less than \$250,000; (4) those with \$250,000 and less than \$1,000,000; (5) those with \$1,000,000 and less than \$5,000,000; (6) those with \$5,000,000 and over. Ninety-one per cent of all the banks and 43 per cent of the capital are included in the first three classes, that is, banks with capital of less than \$250,000; about 7 per cent of the banks and 19 per cent of the capital are in Class 4 (\$250,000 to \$1,000,000 capital), and less than 3 per cent of the banks and nearly 38 per cent of the capital are in classes 5 and 6, \$1,000,000 and over. Banks in Class 1, capital less than \$50,000, have the lowest percentage of surplus to capital, 27 per cent, although the law requires an accumulation of surplus of only 20 per cent of the capital. Banks in Class 5, capital of \$1,000,000 and less than \$5,000,000, have the highest percentage of surplus to capital, 82 per cent. Banks in Class 5 paid the highest average rate of dividend to stockholders during the past year, or about 12 per cent; and those in Class 1 paid the lowest, or slightly over 8 per cent. Banks in Class 6, capital \$5,000,000 and over, held the largest proportion of reserve to individual deposits, or about $45\frac{3}{4}$ per cent; and banks of Class 1 held the lowest, or 7.4 per cent of the individual deposits. The banks with capital of \$5,000,000 and over held $74\frac{1}{2}$ per cent of surplus, or 102 per cent including undivided profits; the dividends paid averaged not quite $9\frac{1}{2}$ per cent, or less than was paid by banks in the second and third classes. This class of banks held the largest percentage of cash reserve, or about $45\frac{3}{4}$ per cent of their individual deposits. Banks of Class 4, capital \$250,000 and under \$1,000,000, had about $67\frac{1}{2}$ per cent of surplus to capital. This class of banks paid their shareholders last year an average of 9.4 per cent in dividends, and held at the date of their latest reports not quite 12 per cent of cash to individual deposits. Banks in class 1, capital less than \$50,000, held a surplus fund of $27\frac{1}{2}$ per cent of capital; banks in Class 2, capital \$50,000 to \$100,000, 50 per cent, and those in Class 3, capital \$100,000 to \$250,000, 62 per cent. The banks in Class 1 paid their

shareholders a little over 8 per cent in dividends during the past year, and banks in Classes 2 and 3 paid $10\frac{1}{2}$ and $10\frac{1}{4}$ respectively. The cash reserve to individual deposits held by the first three classes of banks was 7.4 per cent for Class 1, 7.5 per cent for Class 2, and 8.54 per cent for Class 3. It would therefore appear that the banks in Classes 1, 2, and 3, that is, all those with a capital of less than \$250,000, pay to their stockholders a high rate of dividend in preference to accumulating an excessive surplus fund, and that the smallest class of banks, or those with capital under \$50,000, build their surplus up to approximately the minimum requirement and then pay out further earnings to their shareholders. The fact that this latter class of banks has been in operation only about ten years doubtless has some bearing upon this condition. With respect to the banks with capital under \$50,000 located in the several geographical divisions, it is shown that this class of banks located in the eastern states holds the highest proportion of surplus to capital, or over 38 per cent, while the rate of dividend paid shareholders is lower than in any other section, or 3.43 per cent. Banks of this class in the western states held about $27\frac{1}{2}$ per cent of surplus, and paid the highest average rate of dividend, or about $13\frac{1}{3}$ per cent. National banks in the eastern states have the highest proportion of surplus to capital. Those in the New England states paid the lowest average rate of dividend, their proportion of surplus to capital being next to that held by banks of the eastern states. The highest percentage of cash reserve to individual deposits is held by banks in the eastern states, while the lowest is held by banks in the southern states.

Possibly the most important problem affecting the foreign policy of the United States that has been presented for a good while past is now offered by the action of the State Department in adopting certain plans designed to promote the investment of American capital in foreign countries. Conspicuous among these is a new treaty with Honduras which has been submitted to the Senate. By that agreement and the terms of a contract which accompanies it, American capitalists would be permitted to refund the public debt of Honduras and the government of the United States would practically guarantee the observance of the terms of the agreement by the parties who entered into it on both sides. This is practically a continuation of the policy already inaugurated at the time of our undertaking the supervision of the customs administration of

Santo Domingo. A further illustration of the new foreign policy is seen in the sending of five supposed experts selected by, or at all events satisfactory to, the government of the United States, to Persia. Their duty is to reorganize the customs service and the system of taxation employed in that country, substituting for it so-called "business methods." Behind this is an auxiliary plan whereby an American corporation may at some time in the future assume the duty of paying off the public indebtedness of Persia, recouping itself from the customs receipts and other taxes. The negotiations centering around these arrangements have been paralleled in another direction by the efforts of Secretary Knox and the State Department to secure contracts for American firms in foreign countries, through the exercise of the influence of the government. The most striking example of this phase of the policy is seen in the securing of contracts for the construction of battleships in American yards from the government of Argentina. In this case the consideration offered was access to our own battleship plans, drawings, etc. Secretary Knox has obtained from Congress an annual appropriation of \$100,000 to aid in the promotion of foreign trade along the lines thus indicated. It is, however, growing more and more apparent that intervention of this sort is decidedly distasteful to European countries. The latter regard the attempts of the United States to intervene in China (in connection with the Chinese loan), in Turkey (in connection with the construction of railways and concessions therefor), in Persia for the reorganization of public debt, and in other countries like Honduras, Argentina, and elsewhere as a departure from the traditional policy of the United States.

The indications of displeasure on the part of foreign countries produced by the pursuit of the new plans have become so manifest that the House of Representatives, now controlled by the Democrats, is expected to make a thorough investigation with a view to correcting the policy in so far as the legislative branch of the government is able to accomplish that end. It is the opinion of many careful observers of American foreign relations that a crucial period in the history of our diplomacy has now arrived; and that, unless present tendencies can be checked, we shall be unable to maintain our older attitude in this hemisphere and be driven to the open adoption of a foreign commercial system analogous to that of Germany and England.

Secretary McVeagh has practically completed arrangements for the issuing of the new bonds under the terms authorized by Congress during the past session. The new issue will bear 3 per cent and will be sold to the highest bidder with preference for those who make offers for small lots. The condition of the Treasury practically demands such action. While the corporation tax receipts have been coming in at about the same rate as last year, expenditures have heavily drawn down the current funds so that the working balance in treasury offices at the middle of May was only about \$23,000,000. At the same time, the debt of the Panama Canal to the general fund of the Treasury had increased to approximately \$148,000,000. The terms of the bond legislation passed by Congress during the last session permit the issuing of the new bonds free of the circulation privilege, and this will be the plan henceforth followed in such issues. The price obtained for the bonds will therefore be a more or less accurate measure of the borrowing power of the government which has never, within recent years, been accurately tested because of the connection between the circulation privilege and the bonds, as well as between the making of deposits and the amount of the surplus in the Treasury (government deposits being presumably protected by government bonds left with the department). In view of present tariff agitation and legislation, loans may now be expected at more or less regular intervals, pending the development of some new source of taxation or a very great (and improbable) reduction in public expenditures. Government outlay is now decidedly in excess of income and the Treasury thus passes to a basis of recognized deficit financiering.

The Bureau of Manufactures has succeeded, during the past few months, in procuring through its commercial agents information concerning trade conditions in South America which is of unusual value and importance. The latest report of the kind is entitled *Trade Development in Argentina* and has been published by the House of Representatives as a public document (No. 1032, 61st Cong., 3d sess.). One of the best points made in the report is found in the discussion of transportation facilities between the United States and River Plata ports. It is there demonstrated that abundance of tonnage is regularly available. This is an unusual admission for a government document. The report deals more or less elaborately

with different phases of the business of meat production and exportation in Argentina and explains the management of the trade in chilled and frozen beef. In dealing with the market for American goods, special attention is called to the opportunities for trade in lumber, furniture, heating apparatus, windmills, and automobiles. Some study has also been given to the conditions of internal trade in Argentina itself. Of the handling of grain in the interior the author says that the methods are still exceedingly crude, although harvesting is carried on with the use of the most approved machinery. Most of the harvesting is done by Italian labor. After harvesting, the use of modern methods ends. Wheat is piled in bags and left beside the railways protected only with a tarpaulin cover. Corn is left in the open in rude cribs made of wire and corn husks.

A striking indication of the attitude of American labor organization regarding some important industrial problems of the present day is seen in the testimony presented before the House of Representatives Committee on Labor by Samuel Gompers, president of the American Federation of Labor, and some other labor leaders at a series of hearings during the first week in May. The labor men oppose the use of the so-called "scientific system of management" in government arsenals, and seem to antagonize the whole idea of securing from laborers the maximum of efficiency per man. This coincides with the position which has been assumed by labor men in other federal establishments such as the government printing office.

An important concession to the demands of labor is being planned by the United States commission on Employers' Liability and Workmen's Compensation. At a conference with representatives of important employers of labor held in Washington on May 10, the commission indicated a disposition to prepare a new federal employers' liability act for submission to Congress at the next winter session. Employers, instead of manifesting opposition or hostility to the plan, as had been expected by some, declared a decided disposition to further the efforts of the commission, and asserted their readiness to accept a bill of inclusive character instead of a measure confined to liability for injuries received in extra hazardous employments which had previously been recommended by a number of conservative students of the subject.